PIPER

The statistical data are extracted from Pensions & Investments' Performance Evaluation Report, a quarterly performance evaluation published by Pensions & Investment Age. *PIPER details comparative performance data on special equity and international funds at more than 50 banks and insurance companies. PIPER is compiled by Rogers, Casey & Barksdale Inc., Stamford, Conn.*

Risk-taking puts First of Neenah in front

By Brad Rudin

Financial institutions, companies featuring new products and takeover targets boosted the returns of special equity commingled funds during the year ended March 31.

The leading fund, as rated by Pensions & Investments' Performance Evaluation Report, boasted a return that almost doubled that of the Standard & Poor's 500 stock index.

That fund, a regional bank portfolio managed by The First National Bank of Neenah (Wis.), delivered a return of 72.1% that towered over the 37.1% S&P performance and the median 31.7% return produced by the 100 special equity funds rated by PIPER.

Ken J. Brusda, a First National Bank of Neenah vice president, acknowledged that putting all of his eggs in the $11 million bank portfolio could produce bad results if the industry ran into trouble.

"In order to make above-average profits you have to take some risks," he said.

First of Neenah produced a 59.7% return in calendar-year 1985, a performance that made it the top-performing PIPER fund. For the same period, the S&P 500 returned 31.8%, while the median fund earned a 27% return.

Joining First of Neenah in the top five for the year ended March 31 were Fidelity Management Trust, Boston, 56.9%; Equitable Bank, Baltimore, 55.6%; Chase Investors Management Corp., New York, 53.8%; and Citicorp Investment Management Inc., New York.

Fidelity's "aggressive equity" fund also holds second-place honors with a compound annual 29.2% return in the three-year PIPER survey, while the Chase "intermediate capitalization equities" fund ranks third in the five-year category, with an annualized 23.4% return.

In the 10-year period, Equitable Bank's special fund ranks first with a compound annual 26.7% return.

On the downside, the "diversified special value" fund of Wachovia Bank & Trust Co., Winston-Salem, N.C., slipped from fourth place in the three-year survey to the 22nd spot in the one-year report.

Still, the Wachovia fund — at a 40.6% return — outperformed the S&P by almost three percentage points.

Only 31 of 100 special equity funds outperformed the S&P 500 in the year ended March 31.

First of Neenah's Mr. Brusda said the bank's strategy for beating the index rests on the fund managers' insight into Associated BanCorp, the holding company that owns First National.

"We started off looking for clones of our own bank corporation," he said.

Changes in state banking laws, which allow banks in one state to buy banks in another, are one aspect of the "double play" made by First National, Mr. Brusda said.

"The key thing has been the interstate banking that has caused more people to focus on this area and push up the price," he said, citing **Chemical Bank's** planned acquisition of **Horizon Bancorp** (Morristown, N.J.), a stock in the First National special equity portfolio.

The other part of the "double play" has been First of Neenah's purchase of bargain bank stocks, Mr. Brusda said. "The banks were selling at low (price-earnings ratios) — five, six, seven times earnings. Plus, they had very consistent growth rates. From a valuation standpoint, they looked cheap."

Similar reasoning was offered by W. Patrick Flanigan, a vice president at Equitable Bank. Regional banks, he said, are attractive on their own or as takeover candidates. "If you can get both, then you don't lose."

Mr. Flanigan said five of the 38 banks in the Equitable portfolio were taken over last year, while another five are takeover candidates.

Equitable Bank has tried to buy the stock of banks located in the mid-Atlantic region, where takeover activity is high, he said. A "domino effect" pushes up the stock price of both acquired and non-acquired banks, he said.

> *"In order to make above-average profits you have to take some risks."*
> — Ken J. Brusda, First of Neenah

Picking the right city, he added, can be as important as picking the right bank.

Although Mr. Flanigan praised the bank stocks, calling them Equitable's "most successful group," his fund also held stocks in the consumer and service sectors during the year ended March 31.

Nursing and retirement homes have been a good play for Equitable, he said. "We've been playing the graying of America concept for the last 10 years."

The aging of the population means good opportunities for money managers seeking substantial gains, he said. "This is a high-occupancy industry with tremendous demand. It's a great supply-and-demand situation."

Takeovers of companies providing service to the elderly add to the potential gain, he said, citing Equitable's ownership of stock in **Health Care and Retirement Corp.** and the **Mediplex Group** — both the object of successful takeover bids.

The $2.5 million "special fund" is an "aggressive kicker for a big capitalization equity fund," he said. "We are going for home run stocks."

Trailing Equitable in the one-year report was the $275 million Chase Investors fund, which counted on companies with new products. "One of the areas that paid off really handsomely is the new product area," said Neal Miller, a Chase vice president.

For example, Mr. Miller said he was attracted by the development of human growth hormones at **Genetech** and the marketing of a wine cooler by **Canandaigua Wines**.

Chase selects stocks that could benefit from some legal, demographic or economic

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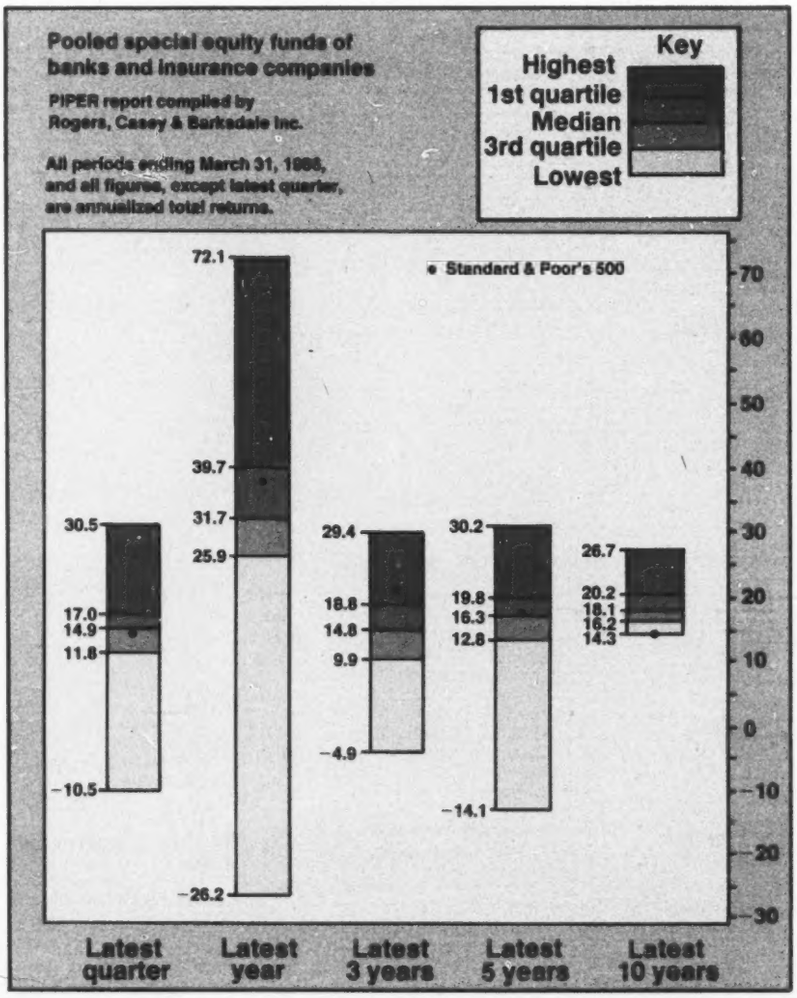

Top performers looked to the Continent

By Rose Darby

The top-performing managers of commingled international funds for the quarter and other periods in Pensions & Investments' Performance Evaluation Report kept a careful eye on changes taking place in the continental European markets, and did some selective buying of equities in Japan.

PIPER monitors the returns of 31 international equity and fixed-income funds.

In every time period, equity returns smartly outpaced fixed-income returns.

Bank of America's $52 million International Employee Benefit Equity fund led all others for the quarter, year and three years ended March 31.

The fund, managed in London by BAIMCO International Ltd., had a total return of 45.2% for the quarter.

"More important than allocation by market is the kind of stocks selected in each market," explained Chris Carter, investment manager in charge of equities for BAIMCO. "We are more concerned about the global sector and how stocks will do in a given environment."

The broad areas in which to buy stocks BAIMCO officials have identified are those that would benefit from the current environment of slowing growth and falling interest rates, he said. Financial, insurance company and bank stocks all were purchased because they would benefit from falling interest rates, Mr. Carter said. Utility and consumer stocks also were purchased because consumer spending was seen as the driving force behind current economic growth, he added.

For most of the past 18 months, roughly 75% to 80% of the total portfolio was weighted in European equities falling into those categories, said Mr. Carter.

Positions in France, the Netherlands, Italy, Spain and Belgium were overweighted because these markets displayed more inefficiencies than those in the rest of Europe, he said. "These are countries in which we are looking for significant earnings gains for a number of years."

Bessemer Trust Co., New York, with its Equity Fund E, came in second for the quarter, with a total return of 30.4%. Marine Midland Bank, New York, was third, with 30.3% on its International Equity fund.

The Morgan Stanley Capital International Europe Australia Far East index had a 30% total return for the first quarter.

For the year ended March 31, Bank of America again had the top-performing international equity fund, with a total return of 116.2%.

The Putnam International Trust, an equity fund managed by Putnam International Advisors, Boston, was second, with a total return of 96.7%. Marsh & McLennan Trust Co., Boston, is the parent of Putnam International.

Third for the full year was the International Equity Fund of Aetna MIM Asset Management Ltd., Hartford, Conn., with 93.4%.

Caesar Bryan, director of Aetna MIM and the manager of the $160 million fund in London, attributed its good performance in part to the move out of deutsche mark-bloc countries (those whose currencies move in tandem with the deutsche mark) and into the Japanese market toward the end of 1985.

"We did well in the Japanese market, and we got the timing right in Japan," he said. "Everybody was in Europe in the fourth quarter of 1985 but they didn't get out during the first quarter of 1986 and we did, while managing to get money into Japan."

By Dec. 31, and throughout the first quarter of 1986, the fund had a 51.4% weighting in Japanese stocks, as opposed to the EAFE weighting of 39.3%, he added.

Exposure to stocks in Germany, the Netherlands and Switzerland were reduced, he said. Positions were maintained in Italy, where the market advanced 69.1% in U.S. dollar terms during the first quarter of 1986; in France, where the market advanced 39.6% during the same period; and in Spain, where the market rose 67.8%, Mr. Bryan said.

Citicorp, New York, placed fourth for the year with its International Equity fund, which returned 93.1%. Fifth was Bessemer's Equity Fund E, which returned 92.6%.

The EAFE for the year period stood at 85.9%.

Continued on page 36

Commingled special equity funds

3-month returns

	%
Republic Natl., Dallas	30.5
Fidelity Mgmt. Trust (aggres.)	23.0
Equitable Bank, Md.	22.1
Manufacturers Hanover, N.Y.	22.1
Chase Manhattan (inter. cap.)	21.8
Provident National, Pa.	21.5
Security Pacific (Fund G), Calif.	21.3
Harris Trust, Ill.	21.2
Society National (e.m.), Ohio	20.6
Chemical Bank (F), N.Y.	19.9
Fidelity Mgmt. Trust (sm. co.)	19.4
Trust Co. of the West	19.1
Merchants Natl. (Fund 2), Ind.	18.8
Connecticut Nationai	18.7
Wachovia Bank (div. spec.), N.C.	18.4
Morgan Guaranty (supple.),N.Y.	18.4
Citicorp (emerg. health), N.Y.	18.3
Mellon Bank, Pa.	18.1
Shawmut Bank, Mass.	18.1
Old Second Natl. (10), Ill.	18.1
Northern Trust, Ill.	17.4
First Tennessee, Memphis	17.3
American Fletcher (natl. res.)	17.3
Irving Trust (Fund II), N.Y.	17.0
Norwest Bank, Minn.	17.0
Standard & Poor's 500	**14.1**

1-year returns

	%
First of Neenah (reg. bank), Wis.	72.1
Fidelity Mgmt. Trust (eq.), Mass.	56.9
Equitable Bank, Md.	55.6
Chase Manhattan (inter. cap.)	53.8
Citicorp (spec. sit.), N.Y.	46.6
Society National (e.m.), Ohio	44.9
Trust Co. of the West	44.8
Bankers Trust (supple.), N.Y.	44.8
Citicorp (emerg. health), N.Y.	44.2
Security Pacific (Fund G), Calif.	44.2
Merchants National (Fund 2), Ind.	43.5
Manufacturers Hanover (supple.)	43.1
Harris Trust (spec. cap.), Ill.	42.9
Mellon Bank, Pa.	42.9
Norwest Bank, Minn.	42.5
LaSalle National (sm. cap.), Ill.	42.2
Manufacturers Detroit (I)	41.6
Marsh & McLennan Trust (growth)	41.6
Shawmut Bank, Mass.	40.9
Irving Trust (Fund II), N.Y.	40.8
Old Second Natl. (10), Ill.	40.7
Wachovia Bank (div. spec.), N.C.	40.6
Connecticut National (supple.)	39.9
American Fletcher (nat. res.), Ind.	39.7
Standard & Poor's 500	**37.7**

3-year returns

	%
Republic National, Dallas	29.4
Fidelity Mgmt. Trust (agg.), Mass.	29.2
Shawmut Bank, Mass.	24.2
Wachovia Bank (div. spec.), N.Y.	23.6
First of Boston (yield)	23.3
LaSalle National (sm. cap.), Ill.	23.2
Manufacturers Hanover, N.Y.	22.9
Trust Co. of the West	22.7
Citicorp (r.e.), N.Y.	22.5
Merchants National (No. 2), Ind.	22.0
Citicorp (spec. sit.), N.Y.	21.7
Mutual of New York	21.6
Chase Manhattan (inter. cap.)	21.3
Standard & Poor's 500	**21.2**
Associated Kellogg (growth), Wis.	20.8
Provident National, Pa.	20.5
Natl. Bank of Detroit (oppor.)	20.5
Mellon Bank, Pa.	19.9
Society National (Ohio reg.), Ohio	19.1
American Fletcher (nat. res.), Ind.	19.0
Old Second Natl. (10), Ill.	18.9

5-year returns

	%
Security Pacific (Fund G), Calif.	30.2
Citicorp (r.e.), N.Y.	24.5
Chase Manhattan (inter. cap.)	23.4
Provident National, Pa.	23.0
First of Maryland	22.3
First Trust Co., Minn.	21.9
Citicorp (spec. sit.), N.Y.	21.8
Connecticut National (supple.)	21.6
First of Boston (yield), Mass.	21.3
Norwest Bank, Minn.	20.9
Merchants National (No. 2), Ind.	20.8
Manufacturers Hanover, N.Y.	20.8
Chase Manhattan (value), N.Y.	20.7
Bankers Trust (supple.), N.Y.	20.4
First Pennsylvania Bank	20.0
California First Bank (supple.)	19.8
Standard & Poor's 500	**17.5**

10-year returns

	%
Equitable Bank, Md.	26.7
MTrust, (growth), Texas	25.9
Northern Central, Pa.	23.7
First of Maryland	23.1
Bankers Trust (supple.), N.Y.	23.0
Chase Manhattan, N.Y.	21.7
California First Bank (supple.)	21.5
Bank of America (em. ben.), Calif.	20.8
Provident National, Pa.	20.6
Norwest Bank, Minn.	20.3
Standard & Poor's 500	**14.3**

First of Neenah . . .

Continued from page 35

change, Mr. Miller said. "Then we do a green eyeshades deal to make sure what we own."

At Citicorp, the manager of the $220 million fund said he looks for companies that are restructuring or redeploying assets. Ted J. Ujazdowski, vice president, said **Gulf and Western's** narrowing focus on media and financial services will make it a profitable company.

He also cited **Prime Motor Inns**, praising the company because of its real estate transactions.

In the results for the quarter ended March 31, RepublicBank, Dallas came in first with a 30.5% return that outpaced the S&P 500's return of 14.1%. The median special equity fund in the PIPER universe returned 14.3%.

Portfolio manager Ben J. Fischer said his "select equity" portfolio typically has a small number of stocks, sometimes as few as three. "The 'putting all the eggs in one basket' strategy should result in long-term above-average performance," Mr. Fischer said.

What about the fund's sometimes disappointing performance in the past? "The reason was that I put all my eggs in the wrong basket," he said.

The three-year PIPER survey puts RepublicBank's performance at the top of the list with a 29.4% compound annual total return. The fund, however, is not among the top-rated performers in the year ended March 31.

The three-year report puts Fidelity Management Trust in second place with a compound annual 29.2% return, while Shawmut Bank of Boston finished third with an annualized 24.2% return. The S&P 500 returned 21.2% vs. 18.7% for the median PIPER special equity fund.

Five-year performance honors go to Security Pacific National Bank, Los Angeles, which produced a compound annual 30.2% return. The No. 2 and 3 spots are held by Citicorp and Chase, which turned in 24.5% and 23.4%, respectively. The S&P 500 returned an annualized 17.5% vs. 17% for the median fund in the PIPER universe.

In the 10-year report, top-ranked Equitable Bank is trailed by MTrust, Dallas, which earned a compound annual 25.9% return. Third place is held by Northern Central Bank, Williamsport, Pa., which produced a 23.7% return on investment. For the 10 years, the S&P 500 returned an annualized 14.3%, and the median PIPER fund, 13.6%. ■

Commingled international funds

3-month returns

	%
Bank of America (equity), Calif.	45.2
Bessemer Trust (fund E), N.Y.	30.4
Marine Midland, N.Y.	30.3
EAFE	**30.0**
Aetna MIM, Conn.	29.7
Centerre Trust (coll. W), Mo.	29.1
American Natl., Chicago	29.0
Marsh & McLennan, Mass.	28.8
US Trust, N.Y.	28.1
Fidelity Mgmt., Mass.	27.1
Citicorp (equity), N.Y.	26.7
Mellon Bank, Pa.	25.4
Chase Manhattan, N.Y.	25.4
Crocker National, Calif.	24.7
Morgan Guaranty (equity), N.Y.	24.7
Bankers Trust, N.Y.	24.4
First of Chicago (equity)	24.0
IDS Trust, Minn.	23.5
Republic Natl., Dallas	23.4
HT Investors, R.I.	23.3
California First Bank	22.8
CIGNA Corp., Conn.	20.5
Prudential (global bond), N.J.	18.4
Toledo Trust (equity), Ohio	17.2
Morgan Guaranty (bond), N.Y.	16.4
Prudential (foreign bond), N.J.	16.2
Citicorp (fixed), N.Y.	16.2
First of Chicago (non-DLR fixed)	15.6
Bank of America (fixed), Calif.	14.1
Toledo Trust (global), Ohio	12.6
Travelers Hill Samuel (W), Conn.	10.5
First of Chicago (DLR fixed)	5.9

1-year returns

	%
Bank of America (equity), Calif.	116.2
Marsh & McLennan Trust, Mass.	96.7
Aetna MIM, Conn.	93.4
Citicorp (equity), N.Y.	93.1
Bessemer Trust (Fund E), N.Y.	92.6
EAFE	**85.9**
Marine Midland, N.Y.	84.6
Centerre Trust (coll. W), Mo.	84.0
Chase Manhattan (global), N.Y.	83.6
IDS Trust, Minn.	82.8
California First Bank	82.0
Morgan Guaranty (equity), N.Y.	81.8
First of Chicago (equity)	81.1
American Natl., Chicago	80.8
Fidelity Mgmt. Trust, Mass.	80.4
Bankers Trust, N.Y.	79.7
CIGNA Corp., Conn.	77.0
HT Investors, R.I.	74.8
Mellon Bank, Pa.	72.2
Republic Natl., Dallas	71.1
Toledo Trust (equity), Ohio	71.0
US Trust, N.Y.	70.6
Bank of America (fixed), Calif.	64.6
Prudential (global bond), N.J.	62.9
Crocker National, Calif.	62.0
Citicorp (fixed), N.Y.	58.4
Prudential (foreign bond), N.J.	55.9
First of Chicago (non-DLR fixed)	55.4
Travelers Hill Samuel (W), Conn.	53.7
Morgan Guaranty (bond), N.Y.	47.8
Toledo Trust (global bond), Ohio	43.4
First of Chicago (DLR fixed)	26.6

3-year returns

	%
EAFE	**37.3**
Bank of America (equity), Calif.	36.9
Bankers Trust, N.Y.	35.8
American Natl., Chicago	34.8
Marsh & McLennan Trust, Mass.	34.7
IDS Trust, Minn.	34.5
Citicorp (equity), N.Y.	32.4
First of Chicago (equity)	31.9
Fidelity Mgmt. Trust, Mass.	31.0
Centerre Trust (coll. W), Mo.	29.6
Morgan Guaranty (equity), N.Y.	29.4
US Trust, N.Y.	29.2
Mellon Bank, Pa.	27.8
Bessemer Trust (Fund E), N.Y.	26.9
Travelers Hill Samuel (W), Conn.	26.5
Crocker National (foreign), Calif.	24.2
Prudential (global), N.J.	24.0
HT Investors, R.I.	21.8
Chase Manhattan (global), N.Y.	20.3
Prudential (foreign), N.J.	18.8
Bank of America (fixed), Calif.	18.2
First of Chicago (non-DLR fixed)	18.1
Morgan Guaranty (bond), N.Y.	17.2
First of Chicago (DLR fixed)	17.1
Citicorp (fixed), N.Y.	16.8

5-year returns

	%
Marsh & McLennan Trust, Mass.	23.3
EAFE	**21.7**
Bankers Trust (equity), N.Y.	21.4
American Natl., Chicago	20.4
First of Chicago (equity)	18.9
First of Chicago (DLR fixed)	18.7
US Trust, N.Y.	17.7
Citicorp (equity), N.Y.	17.5
Morgan Guaranty (equity), N.Y.	17.4
Bessemer Trust (Fund E), N.Y.	15.8
Morgan Guaranty (bond), N.Y.	13.5
First of Chicago (non-DLR fixed)	12.7
Cicicorp (fixed), N.Y.	11.4
Crocker National (foreign), Calif.	9.4

10-year returns

	%
US Trust, N.Y.	19.6
EAFE	**19.1**
Morgan Guaranty (equity), N.Y.	17.8
First of Chicago (equity)	16.2

Top performers look to . . .

Continued from page 35

For the three years ended March 31, the EAFE led all fund managers, with a 37.3% return.

Among the PIPER funds, Bank of America's equity fund was first for the three-year period, with a 36.9% compound annual return.

Second was Bankers Trust, New York, with its International Equity fund at a compound annual return of 35.8%. Third was American National Bank of Chicago's International Equity Fund, with a 34.8% annualized return.

For the five years ended March 31, Putnam International Trust was the leading fund, with a 23.3% compound annual return.

That $140 million equity fund maximized returns during the past five years by being very early in overweighting the continental European markets, said Sean Roche, international portfolio manager for Putnam International Advisors Inc.

Early in the decade, "we saw tremendous social changes in Europe, with a dramatic shift in the political spectrum from left of center to right of center," he said. "There was a tremendous emphasis on profitability. For the first time, it paid companies to cut costs, unlike in the 1970s, when governments followed full employement policies."

The move upward in the European markets began in the second half of 1982, he said. "In the last 18 months, we've had the full benefit of that move in Europe."

Bankers Trust's International Equity fund was second for the five years, returning an annualized 21.4%, followed by American National Bank's International Equity fund with 20.4%.

The EAFE for five years returned an annualized 21.7%.

Only three international funds have a 10-year track record. Of them, U.S. Trust Co., New York, was the leader. Its International Equity Fund had an annualized return of 19.6% for the 10 years ended March 31. The EAFE returned an annualized 19.1% during the same period. ■

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U.S. bond market rally faltered in April

NEW YORK — The dramatic U.S. bond market rally stalled in April, with returns on one-year and longer taxable bonds averaging 0.48%, as measured by the Salomon Brothers Broad Investment-Grade bond index.

"The April results contrasted sharply with the 3.9% and 3.2% results posted in February and March, respectively, and were the smallest since last July, when returns averaged −0.46%," said a report written by Richard I. Johannesen, vice president in Salomon Brothers' bond market research department.

Although most sectors experienced price declines in April, longer-term bonds were hit hardest, averaging −0.3%. One- to 10-year issues, in contrast, returned 0.75%.

Several sectors showed reversals from recent trends. Thirty-year coupon STRIPS, which returned 30% in February and 22% in March, returned −2.35% in April.

Mortgage securities, which lagged most other sectors in recent months, edged into a lead position in April.

The index covers $1.7 billion in par value U.S. Treasury, federal agency, corporate and mortgage fixed-income securities with ratings of BBB or better and maturities of a year or more. ■